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Interview with Frank DeGiovanni:

Reflections on 10 years of the Social Performance Task Force

It's safe to say that every member of the Social Performance Task Force (SPTF, or Task Force) knows who Frank DeGiovanni is. It was his vision after all that led to the creation of the Task Force ten years ago, and he has served as our board chairman since the Task Force was formed. What fewer people perhaps realize is that Frank DeGiovanni has also been the guiding spirit behind many of the financial inclusion industry's most important innovations. From his position as director of financial assets for the Ford Foundation, which he joined in 1992, Frank has been one of the most influential advocates for keeping the best interests of the end client at the center of everything our industry strives to do. Frank stepped down as SPTF chairman at the end of 2015 and will be retiring from the Ford Foundation this month. We sat down with Frank to reflect on the work of the Task Force he founded and led through its first ten years.

SPTF: Tell us about the world into which the Task Force was born.

FDeG: We're all familiar with the original vision for our industry: microfinance began as a decidedly client-oriented endeavor that was also concerned with financial sustainability. To the SPTF, the double bottom-line meant that financial services were a means to an end, not an end in themselves.

But gradually, **this vision of improving the lives of the poor receded, as concerns over the financial sustainability of MFIs took precedence**. Witness the major debates during the 1990s and 2000s. We were asking: *is group-based or individual lending more effective? Should NGOs transform to regulated institutions? What are the best indicators to measure financial performance? How long should it take an MFI to reach financial sustainability?*

These are clearly critical issues. However, we weren't applying comparable level of ferment and energy to answering questions such as: *What types of financial services do poor households need to improve their lives? How can we tell if clients' lives are improving? Can MFIs serve poor* *clients and also become financially sustainable?*

In short, the unspoken assumption was that if you built a strong MFI, and your heart was in the right place, then positive social outcomes would happen automatically.

But a number of us were troubled by this state of affairs. After all, when it comes to financial performance, we don't just sit back and hope for the best, do we? I don't think anyone believes you can achieve strong repayment rates without putting in place rigorous due diligence, loan monitoring and collection systems. Our position was this: if you want to be equally serious about both halves of the double bottom-line, **you need to devote as much energy, thought, debate, and resources to social performance as we devote to financial performance**.

SPTF: The Task Force was created in 2005 – why is this timing critical?

FDeG: The Task Force began a few years before microfinance's first initial public offering (IPO) and before the onset of the over-indebtedness crises in many countries. That first IPO was (and remains) controversial and troubling to many observers, both within and outside our industry, because it lead to such a major emphasis on the profit motive of microfinance, rather than its social purpose.

I am certain that if the Task Force had been created *afterwards*, we would have been cynically perceived as an after-the-fact public relations exercise. As it was, our work was already well underway by the time of the IPO. That timing gave us credibility, and that credibility has served the industry well.
In terms of timing, I am also thankful that we took plenty of time to develop the Universal Standards. If we had been responding to externally-driven events, we might not have spent ten years listening to MFIs about client needs, identifying best practices, and learning how to measure social performance before developing the Standards. And the Standards would have been perceived as knee-jerk, top-down, and ceremonial.

SPTF: You mentioned the Universal Standards. What are they, and why are they significant?

FDeG: If social performance management is (in essence) a management style that puts clients at the center of every strategic and operational decision, then the Universal Standards describe what that management style looks like in practice.

The Standards provide a practical path to delivering client-centric and responsible microfinance . Each of the six dimensions focuses on the client: defining a provider's goals and target clients; designing products and services to meet clients' needs; ensuring client-centricity on the part of board, management, and staff; treating clients responsibly; treating staff responsibly; and, ensuring that the institution's growth does not imperil its mission.

We call them "universal" because they emerged from an intensive process involving hundreds of people from every industry stakeholder group. That's significant. We didn't want funders defining success for practitioners, or practitioners deciding for themselves what success would mean without consulting other stakeholders, or researchers laboring in isolation to devise evaluation frameworks.

SPTF: So what do the next five years hold?

FDeG: The SPTF will work to ensure that every institution that wants to implement the Universal Standards has the support they need to do so. **To change minds and practice, we also need to demonstrate that social and financial performance are mutually strengthening and reinforcing**. Social performance is nothing more (or less) than knowing your clients and helping them improve their lives. Institutions that regard their poor and low-income clients as capable, multi-dimensional human beings will know their goals, challenges, and opportunities. And based on this, they'll know what products, services and delivery channels best address those needs.

They will also know whether the products and services they provide are making a difference in clients' lives, which will enable them to improve their product and service offering. Importantly, we have enough on-the-ground experience affirming that when institutions get this right, they thrive.

But low-income people are not a consumer segment like any other, and financial services are not a consumer product like any other. We're in a more complex business than many, and our customers' lives and needs are more complex than many, too.

True client-centricity, under those conditions, simply demands longer-term effort. It takes commitment from all of us: practitioner commitment, patient capital, and also a commitment to candour for the whole industry. Let's be open with each other about what works and what doesn't, about the challenges we experience, and how to address them. The SPTF is a great platform for these types of conversations to happen.

Frank DeGiovanni (second from left) at the SPTF 2015 annual meeting in Cambodia with His Excellency Kim Vada and Rath Sovannorak of the National Bank of Cambodia and SPFT executive director Laura Foose. (Credit: Roberta Zapf)

SPTF: Sounds like a challenge. How will you get there?

FDeG: Slowly, but surely, I suspect. It's important to stress that the Social Performance Task Force is not in the business of creating tools or systems. We're seeking to create and sustain an industry culture.

The best comparison I can think of is a culture that values physical health. You don't wake up one day and say "I am out of shape and today is the day I am going to fix that, I am going to go to the gym and exercise for 10 hours and then I won't have to worry about exercise until next year." It just doesn't work that way!

You make a commitment. You exercise that day. And the next day, and many days after that. You are not going to see results the first day. On the second day, you still won't see results – plus you'll be in pain! But if you commit to regular exercise, you will be healthier and your quality of life will improve.

If your institution commits to social performance, it will be a healthier, client-focused institution. If enough institutions do it, we will have a healthier, client-focused industry. That's the industry I want to see. That's the industry the Social Performance Task Force was created to bring about. And that's the industry that we are committed to working toward, until it is a universal reality.

The mission of the Social Performance Task Force is to promote a more responsible, client-responsive industry. Since its inception in 2005, the Task Force has grown to include more than 2,600 members across 127 countries, and its work has gained sector-wide momentum and visibility. A recent survey (conducted in partnership with the MIX and The Global Appeal) revealed that 90 percent of respondents were "aware, familiar, or very familiar" with the Task Force's Universal Standards for Social Performance Management**. The Universal Standards Implementation Guide was also in the "Top 10 Most Popular Publications of 2015" on the Microfinance Gateway. In February 2016, we will publish an interview with incoming chairman Jurgen Hammer, only the second board chair in the Task Force's 10-year history. Jurgen will discuss how he sees the industry now—and the Task Force's priorities. On behalf of the board and staff of the Task Force, and our members all over the world, we offer our sincere gratitude to Frank DeGiovanni and the Ford Foundation for ten years of invaluable moral and practical support.**

Photograph (at top) of Frank DeGiovanni courtesy of the Ford Foundation, used with permission.